

Message Text

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ACTION EA-10

INFO OCT-01 IO-10 ISO-00 AGR-10 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

LAB-04 SIL-01 L-03 H-02 TAR-01 FEAE-00 /117 W

----- 073775

R 070832Z JUL 75

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 1203

INFO AMCONSUL HONG KONG

USDEL MTN GENEVA

UNCLAS SEOUL 4977

HONG KONG FOR REGFINATT

E.O. 11652: N/A

TAGS: ETRD, EIND, KS, US

SUBJECT: KOREA EASES SOME IMPORT DEPOSIT REQUIREMENTS

REF: (A) SEOUL 4235

(B) SEOUL 2755

(C) SEOUL A-45

(D) SEOUL 0952

(E) SEOUL A-104, APRIL 25, 1974

(F) SEOUL A-62, MARCH 8, 1974

(G) SEOUL A-46, FEB. 26, 1974

SUMMARY: IN FIRST CASE OF BACKTRACKING FROM SERIES OF MORE
RESTRICTIVE IMPORT POLICIES IMPOSED SINCE LATE 1974, ROKG HAS
ANNOUNCED MODERATE EASING OF ADVANCE DEPOSIT REQUIREMENTS FOR
SELECTED IMPORTS. SEVEN RAW MATERIAL COMMODITIES AFFECTED
INCLUDE TWO OF MAJOR U.S. INTEREST, RAW COTTON AND IRON AND STEEL
SCRAP. OTHER CHANGES LIMITED TO DEPOSIT REQUIREMENTS FOR CERTAIN
PARTS AND MACHINERY AND EQUIPMENT IMPORTS FOR PRIORITY INDUSTRIES.
WHILE INITIATIVE TO EASE UP ON IMPORT RESTRAINTS WELCOME, CHANGES
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MADE UNFORTUNATELY REINTRODUCE COST DISADVANTAGE FOR MORE DISTANT
SUPPLIERS, E.G. U.S. END SUMMARY.

1. ENCOURAGED BY IMPROVED TRADE OUTLOOK EVIDENCED IN RISING

EXPORT ORDERS AND DECLINING IMPORT ORDERS (SEE REF A), ROKG HAS ANNOUNCED, EFFECTIVE JULY 1, MODERATE EASING OF ADVANCE IMPORT DEPOSIT REQUIREMENTS FOR SELECTED IMPORTS. IMPORTS AFFECTED ARE:

(1) SEVEN ESSENTIAL RAW MATERIALS WHEN IMPORTED FOR DOMESTIC USE: RAW COTTON, RAW SUGAR, IRON ORE, COPPER ORE, PHOSPHATE ORE, SCRAP IRON AND STEEL, AND HOT STEEL COILS; (2) CERTAIN IMPORTS OF PARTS FOR USE IN DOMESTIC PRODUCTION OF MACHINERY AND EQUIPMENT; AND (3) CERTAIN MACHINERY AND EQUIPMENT IMPORTS FOR PRIORITY INDUSTRIES.

2. FOR RAW MATERIAL ITEMS CITED ABOVE, DEPOSIT RATE FOR IMPORTS ON SIGHT LETTER-OF-CREDIT (L/C) BASIS REMAINS AT 110 PERCENT BUT AUTOMATIC RETENTION PERIOD (FIRST INTRODUCED IN JANUARY OF THIS YEAR - SEE REFS B, C AND D) IS REDUCED FROM 90 DAYS TO 60 DAYS. DEPOSIT RATE FOR THESE IMPORTS ON USANCE BASIS LOWERED FROM 40 PERCENT TO 20 PERCENT, WITH RATE FOR IMPORTS ON DOCUMENTS AGAINST ACCEPTANCE (D/A) BASIS REMAINING AT 20 PERCENT. TWO ITEMS IN THIS CATEGORY OF PARTICULAR U.S. INTEREST ARE RAW COTTON (1974 IMPORTS FROM U.S. OF \$174 MILLION) AND IRON AND STEEL SCRAP (1974 IMPORTS FROM U.S. OF \$116 MILLION). AS DEPT. AWARE, EMBASSY HAS BEEN PRESSING ROKG TO RECONSIDER DEPOSIT RATE ON COTTON IN VIEW COTTON CONTRACT PROBLEM. THIS CHANGE REPRESENTS PARTIAL RELIEF, ALTHOUGH RATES STILL HIGHER THAN 10 PERCENT RATE FOR BOTH D/A AND USANCE IMPORTS THAT APPLIED PRIOR APRIL 17. HOWEVER, ISSUE AS FAR AS COTTON CONCERNED IS ACADEMIC AT MOMENT SINCE MILLS HAVING EXCEPTIONAL DIFFICULTY IN INDUCING USANCE LINES OF CREDIT IN ANY EVENT. NOTE: DEPOSIT RATE FOR IMPORTS OF THESE, AND ALL OTHER, RAW MATERIALS FOR USE IN EXPORT PRODUCTION REMAINS AT 15 PERCENT FOR SIGHT L/C AND DOCUMENTS AGAINST PAYMENT (D/P) IMPORTS WITH NO DEPOSIT REQUIRED FOR USANCE AND D/A IMPORTS.

3. FOR OTHER TWO CATEGORIES DESCRIBED PARA 1 ABOVE, DEPOSIT RATE FOR SIGHT L/C IMPORTS IS LOWERED FROM 110 PERCENT TO 100 PERCENT WITH 90 DAY AUTOMATIC RETENTION REQUIREMENT DROPPED COMPLETELY. RATES FOR IMPORTS IN THESE CATEGORIES ON USANCE OR D/A BASIS REMAIN AT 40 PERCENT AND 20 PERCENT RESPECTIVELY. UNCLASSIFIED

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4. IMPORTED PARTS INVOLVED ARE THOSE SPECIFICALLY IDENTIFIED AS ELIGIBLE FOR AN AUTOMATIC WAIVER OF IMPORT BANS AND RESTRICTIONS (OTHER THAN ADVANCE DEPOSIT REQUIREMENTS) WHEN IMPORTED FOR PRODUCTION OF DESIGNATED MACHINERY AND EQUIPMENT FOR USE IN DOMESTIC MARKET (FOR MORE COMPLETE DESCRIPTION THIS CATEGORY SEE SECTION 5 OF ENCLOSURE 2, REF C). MOST OF THESE ITEMS ARE OF LIMITED INTEREST TO U.S. AT PRESENT.

5. MACHINERY AND EQUIPMENT IMPORTS AFFECTED ARE THOSE ELIGIBLE FOR PARTIAL (CURRENTLY 90 PERCENT) TARIFF EXEMPTION WHEN IMPORTED BY ELIGIBLE PRIORITY INDUSTRIES UNDER ROK CUSTOMS DUTY EXEMPTION SYSTEM AS REVISED JANUARY 14, 1974. (MATERIALS CONTAINING LISTS OF ELIGIBLE INDUSTRIES AND ITEMS WERE FORWARDED WITH REFS

E, F AND G). CURRENT LIST CONTAINS ITEMS UNDER 54 FOUR DIGIT
BTN NUMBERS IN BTN CATEGORY 8 - ELECTRICAL AND NON-ELECTRICAL
MACHINERY AND EQUIPMENT, AND ITEMS UNDER 19 FOUR DIGIT BTN
NUMBERS IN BTN CATEGORY 9 - INSTRUMENTS AND APPARATUS OF OPTICAL,
PHOTOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL, SURGICAL,
CLOCKS, WATCHES, ETC. SIGNIFICANT NUMBER OF THESE ITEMS UNDER
BOTH BTN CATEGORIES 8 AND 9 ARE, OF COURSE, OF U.S. TRADE
INTEREST.

6. COMMENT: WHILE THESE CHANGES VERY LIMITED IN SCOPE, THEY
REPRESENT FIRST BACKTRACKING FROM SERIES OF MORE RESTRICTIVE
IMPORT MEASURES IMPOSED SINCE LATE 1974. PRESSURE FROM IMPORTERS
TO EASE UP FURTHER, PARTICULARLY ON ADVANCE DEPOSIT REQUIREMENTS,
IS GROWING. UNFORTUNATELY, WHILE LIBERALIZING TREND WELCOME,
REDUCTION OR ELIMINATION OF 90 DAY AUTOMATIC RETENTION PERIOD
HAS SIDE EFFECT OF REINTRODUCING COST DISADVANTAGE FOR MORE
DISTANT SUPPLIERS AS COMPARED TO JAPAN.
SNEIDER

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